

United States General Accounting Office

Report to the Chairman, Subcommittee
on Defense, Committee on
Appropriations, House of
Representatives

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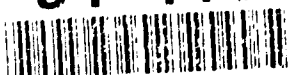


NAVY HOUSING

Transient Lodging Operations Need Effective Management Control



91-14155

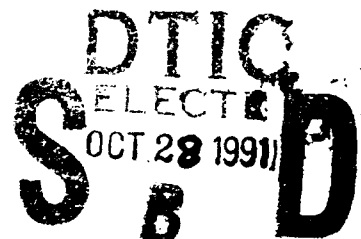


National Security and
International Affairs Division

B-245125

October 3, 1991

The Honorable John P. Murtha
Chairman, Subcommittee on Defense
Committee on Appropriations
House of Representatives



Dear Mr. Chairman:

In follow-up to our report, Army Housing: Overcharges and Inefficient Use of On-Base Lodging Divert Training Funds (GAO/NSIAD-90-241, Sept. 28, 1990), your staff asked us to determine whether the Navy's transient lodging facilities are being operated efficiently.

Background

On any given day in the continental United States, about 5,800 transient Navy personnel are lodged off base while in travel status on temporary duty. We estimate that in fiscal year 1990, the Navy paid about \$139 million for off-base per diem. The Bureau of Naval Personnel, formerly the Naval Military Personnel Command, is responsible for implementing transient lodging policies that call for lodging military and civilian personnel on temporary duty in on-base facilities whenever possible.¹ At the base level, a billeting office operates transient lodging facilities and the reservation system.

The cost of constructing and operating the on-base facilities is paid from regular appropriations. However, to match commercial motel standards, installations are allowed to charge a fee for maid and custodial services and amenities not available from appropriated funds. This fee, generally about \$4, is a small fraction of the commercial off-base rates that range between \$40 and \$113 per day. The billeting offices can also use revenue from these fees to defray the cost of minor improvements (e.g., the installation of telephones and televisions). They also send a portion of these revenues to a central account to assist billeting offices experiencing financial difficulty and to pay for central accounting support. According to Department of Defense (DOD) regulations, balances in these revenue accounts should be maintained at levels sufficient to sustain current and future operational needs.

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¹The Joint Federal Travel Regulation, 41 CFR 101-11.6 (Change No. 15, Mar. 1, 1988) and 40 U.S.C. 1589, for civilian personnel.

Results in Brief

The Navy's transient lodging facilities are not operated as efficiently as they could be because Navy management controls need improvement. As a result, the Navy's travel costs are higher than necessary. More specifically, the increased costs of off-base lodging are being incurred because billeting offices (1) rely on a weak reservation system, (2) discourage reservists from using on-base facilities, and (3) have poor control over lodging facilities set aside for senior officials. Revenue balances suggest that fees are not being properly adjusted or that needed improvements are not being financed in a timely fashion.

These problems can be remedied by implementing cost-effective management actions and appropriate internal controls. Bureau of Naval Personnel officials agree and are planning changes to increase efficiency and more effectively control revenues.

Navy's Reservation System Fosters Uneconomical Use of Transient Lodging Facilities

Although the Navy is required to lodge transient personnel on base whenever possible, it is not doing so. Weaknesses in the Navy's reservation system allow off-base per diem to be authorized when on-base lodging is available.

According to Navy records, on an average day in fiscal year 1990, 5,800 personnel received off-base per diem in the continental United States, and the Navy's transient lodging facilities were experiencing vacancies of 37 percent for enlisted and 28 percent for officer accommodations. Aggregate records were not available to indicate how many personnel received off-base per diem or when vacancies occurred. Consequently, we could not estimate the amount of unnecessary per diem expense that might have been avoided Navy-wide. However, during a 1-month period at one Navy installation, 187 off-base authorizations were issued, even though on-base facilities were vacant; this occurred because of weaknesses in the reservation system. Based on the average occupancy history and local lodging rates, we estimate that about \$33,000 could have been saved that month. Audits performed by the Naval Audit Service and other audit groups have discovered similar opportunities to improve occupancy levels and reduce costs.

In the Navy, personnel can call a billeting office to establish a reservation for on-base accommodations 90 days in advance. If the reservation system shows no vacancies at that time, the billeting office will issue an off-base per diem authorization number. The traveler provides this number to the activity preparing his travel order to document the unavailability of on-base lodging. The Navy system, by providing an

authorization number at the time a reservation is requested, does not require personnel to check for vacancies on or shortly before their arrival. As a result, intervening cancellations and unclaimed reservations can cause unnecessary expenditures for off-base per diem. This result is compounded by the fact that transient personnel are not required to confirm or cancel reservations. Thus, the reservation system can indicate no vacancy when facilities might be readily available for occupancy or reservation.

Bureau and local billeting officials told us they believe that the reservation system has been manipulated by travelers. For example, personnel will shop around for an off-base authorization number by telephoning a number of installations in a geographic area, such as Norfolk where there are numerous bases and billeting offices, until they find one that is fully booked. Further, because the system does not validate reservations, travelers can make a number of fictitious reservations to induce a no-vacancy indication and off-base authorization number.

DoD and the Navy have a 75-percent occupancy goal for evaluating whether an installation needs to adjust the number of its on-base transient lodging quarters. Misinterpretation of this occupancy goal is another factor that fosters inefficient use of these facilities. During a visit to one base, we found that the billeting office, as a matter of policy, would stop issuing reservations and begin issuing off-base authorization numbers once 75-percent occupancy was achieved. We brought this to the attention of Bureau officials, who said that billeting operations throughout the Navy have misinterpreted the 75-percent occupancy goal as criteria for authorizing off-base per diem. This situation had been allowed because the Bureau had not realized the impact of the misinterpretation. Remedial actions are under consideration, according to Bureau officials.

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Sending Reservists Off Base Increases Travel Costs

Navy management practices particularly discourage lodging reservists on base. DoD guidance requires installations to house reservists on base to the maximum extent possible. However, DoD stipulates that reservists are not authorized reimbursement for amenities such as maid service while housed on base during active duty for training. Bureau officials said that because of this restriction, when a reservist is lodged in transient facilities, the host installation usually bears the cost of housing by foregoing the customary billeting fee. When the reservist is authorized off-base per diem, on the other hand, the sending command must pay the full cost of commercial lodging. Bureau officials said that billeting

offices commonly will issue off-base authorization numbers even when on-base vacancies exist to avoid foregoing their customary fees. This practice not only increases expenditures for lodging, but can also result in unnecessary rental car costs. Bureau officials acknowledged that substantial money could be saved if the Navy increased the use of vacant on-base lodging facilities by reservists.

Poor Use of Premium Quarters Increases Travel Costs

The Navy may be needlessly increasing travel costs by not fully using transient quarters set aside for high ranking officers. The Navy, as the other services, sets aside some transient facilities for high ranking officers and civilians. According to Bureau officials, poor controls over the assignment of these facilities have resulted in high vacancy rates and increased costs.

The assignment of these quarters are generally at the discretion of the base commander, and Bureau officials and local billeting managers also said that this practice leaves billeting offices virtually no control over these rooms. Even when vacant, they said, these rooms are not made available to lower ranking personnel. As a result, such facilities are frequently vacant while transient personnel are authorized off-base lodging.

Poor Controls Have Permitted Ineffective Use of Accumulated Billeting Funds

Poor management controls have allowed funds generated by billeting offices to exceed what is needed to improve transient lodging facilities. Moreover, the Bureau made such funds available to major commands upon request and without confirmation of need.

The Navy segregates transient lodging fee revenues within its nonappropriated accounts. As of September 1990, these revenues had accumulated \$19.8 million, with an additional \$3.9 million in a central billeting account controlled by the Bureau.

Navy guidance calls for installations to adjust charges to maintain minimum balances and operate transient lodging as nonprofit operations. Billeting should generate funds sufficient to cover current and future programmed operational needs not covered by appropriated funds. Based on the financial information billeting offices reported to the Bureau, \$14.6 million of the \$19.8 million in revenues were reported as above current or programmed need.

Bureau officials acknowledge that they have little control over the revenue balances at the billeting office level. They rely on major commands to ensure implementation of Bureau policy. Officials at a major command said they do not normally review the propriety of revenue levels. Additionally, these officials questioned the \$14.6-million figure because they were skeptical about how effectively the billeting offices were identifying and programming for needed improvements. They agreed that some installations may have excess revenue balances, but they expect that others may have unidentified needs.

These officials also acknowledged the need to strengthen controls over installations receiving funds from the Bureau's central account. Using the central account, the Bureau provided \$1.8 million in fiscal year 1990 and \$3.5 million in fiscal year 1989 to major commands requesting funds for base projects. Based on discussions with Bureau officials and our review of financial records, we found that major commands had requested and received money largely because it was available. For example, one major command was given an \$80,000 interest-free loan by the Bureau to finance improvements; the host installation later rejected the loan because it had sufficient revenue balances to fund the project. However, the major command did not return the loan to the Bureau.

Conclusions and Recommendations

Verifiable statistical information is needed to determine the seriousness of the inefficiencies in the Navy's transient lodging operations and how best to remedy them. At present, however, Bureau officials acknowledge that there is little information. Accordingly, we recommend that the Secretary of Navy direct the Chief of Naval Personnel to

- measure the extent to which travel costs have been affected by lodging Navy personnel off base when transient facilities were available on base,
- develop cost-effective management actions that can be implemented to improve the efficiency of transient lodging operations on Navy bases, and
- implement management controls that will ensure transient lodging fee revenues are adjusted to minimum levels and used only when needed for economical improvements to the lodging facilities.

We also recommend that the Secretary of Defense establish controls to monitor the Navy's compliance with DOD transient lodging directives and related legislation.

Agency Comments

On September 3, 1991, we provided the Department of Defense with a draft of this report and requested comments within 15 days. On September 17 we met with spokespersons for the Department who informally advised us that the Department concurs with our findings and recommendations and is taking or planning actions that, when implemented, should be responsive to our recommendations. Additionally, to ensure the objectives of the Federal Managers' Financial Integrity Act, the Navy has identified inefficiencies in its transient reservation system and billeting fund accumulations as a material weakness in its Management Control Certification Statement for 1991. The Department, however, has not provided official written comments, and we have determined that further delay in issuing the report would not significantly improve its accuracy.

Scope and Methodology

In performing our evaluation, we interviewed DOD and Navy officials and reviewed correspondence, audit reports, regulations, and financial reports at the Bureau of Naval Personnel and selected naval installations. To obtain an understanding of system operations at the field level, we visited the Commander in Chief, U.S. Atlantic Fleet; Naval Base; Naval Air Station and Naval Amphibious Base, Norfolk, Virginia; and Fleet Combat Training Center Atlantic, Virginia Beach, Virginia. We relied on financial and housing utilization information reported by the Navy without testing its accuracy. We performed our work as a continuation of work began in July 1989 and ending in May 1991 in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Chairmen, Senate and House Committees on Armed Services and Senate Committee on Appropriations, and the Director, Office of Management and Budget. We will also make copies available to others upon request.

Please contact me at (202) 275-6504 if you or your staff have any questions concerning this report. Major contributors to this report are listed in appendix I.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Martin M. Ferber", followed by a long horizontal flourish line.

Martin M Ferber
Director, Navy Issues

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